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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2007 AND ENDING DECEMBER 31, 2007  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: AUFHAUSER SECURITIES INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

112 WEST 56TH STREET

(No. and Street)

NEW YORK

NEW YORK

10019

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MICHAEL DAMSKY CPA, P.C.

(Name - if individual, state last, first, middle name)

40-3 BURT DRIVE

DEER PARK

NEW YORK

11729

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED****FEB 19 2008****THOMSON  
FINANCIAL****FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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2/15/08

## OATH OR AFFIRMATION

I, KEITH AUFHAUSER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AUFHAUSER SECURITIES INC., as of DECEMBER 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

**Lena A Dimino**  
**Notary Public, State of New York**  
**No. 01DI6030099**  
**Qualified in Queens County**  
**Commission Expires Sept 7 2009**

R. K. Aufhauser  
Signature

Pres.

Title

Lena A. Dimino  
Notary Public

*Sworn to before me this 12<sup>th</sup> day February 2008*

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**AUFHAUSER SECURITIES INC.**

**FINANCIAL STATEMENT and SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2007**

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AUFHAUSER SECURITIES INC.STATEMENT OF INCOME and RETAINED EARNINGSYEAR ENDED DECEMBER 31, 2007Revenue:

Commissions	\$2,057,577
Interest Income	101,341
Gain on Sale of Securities	(28,734)
Other Income	64,000
	<u>2,194,184</u>

Expenses2,123,996Income before Income Taxes70,188Income Taxes:

Federal Income Tax	10,339
New York State & City	7,245
	<u>17,584</u>

Net Income (Loss)

52,604

## Retained Earnings -

Beginning of the year

687,992

## Retained Earnings -

End of the year

\$ 740,596

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2007**

Cash Flows from Operating Activities:

Net Income	\$ 52,604
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) Decrease in due from broker	(104,984)
Increase (Decrease) in Due to Broker	39,938
(Decrease) Increase in Taxes Payable	(50,730)
(Increase) in Prepaid Taxes	(9,483)
Increase (Decrease) in Accrued Expenses	<u>( 3,689)</u>
Net cash used for operating activities	<u>( 76,344)</u>
<u>Cash Flows from Investing Activities:</u>	
(Increase) in Market Value of Securities	<u>259,820</u>
Net cash provided by (used for) investing activities	<u>259,820</u>
Net increase in cash	183,476
Cash at beginning of year	<u>1,072,252</u>
Cash at end of year	<u>\$1,255,728</u>

"See Accompanying Notes and Accountants' Report"

AUFHAUSER SECURITIES INC.STATEMENT OF CHANGES IN STOCKHOLDERS EQUITYYEAR ENDED DECEMBER 31, 2007

	<u>Common Stock</u>	<u>Paid In Capital</u>	<u>Retained Earnings</u>
Balance at January 1, 2007	\$ 30,000	\$480,000	\$687,992
Net Income	<u>-</u>	<u>-</u>	<u>52,404</u>
Balance at December 31, 2007	\$ <u>30,000</u>	\$ <u>480,000</u>	\$ <u>740,396</u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

- Note 1 - **ORGANIZATION**: Aufhauser Securities Inc. (the Company) is a Broker/Dealer. It is owned by its President, Keith Aufhauser.
- Note 2 - **SUMMARY OF ACCOUNTING POLICIES**: Securities transactions and the related commission revenue and expenses are recorded on the trade date.
- The Company has actively traded in stocks and options for its own accounts.
- The Company is a market maker.
- The Company clears its customer accounts through another member broker.
- Income taxes are provided for in the period in which the related transactions enter into the determination of net income.
- Securities are carried at market value.
- Note 3 - **NET CAPITAL REQUIREMENTS**: The Company is subject to the Securities and Exchange Commission and National Futures Association's Uniform Net Capital Rule. Under these rules, the minimum net capital requirement is \$250,000. At December 31, 2007 the Company's Net Capital was \$964,699 in excess of the required Net Capital.
- Note 4 - **CONTINGENT LIABILITIES**: Under an agreement with its clearing broker dated January 15, 1996, the Company is contingently liable for:
- A customer's failure to make payment to the clearing broker when due or to deliver securities sold for the account of the broker or the broker's customer.
  - Failures of a customer of the company to meet any margin call or any maintenance call.
  - The purchase of customers until actual and complete payment has been received by the clearing broker.



**SUPPLEMENTARY INFORMATION**

**AUFHAUSER SECURITIES INC.**

**EXPENSES**

**YEAR ENDED DECEMBER 31, 2007**

Salaries	\$ 959,125
Clearing Charges	358,254
Other Pershing Charges	25,935
Regulatory Fees	30,628
Interest	14,117
Operations	<u>735,937</u>
	<u>\$2,123,996</u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**COMPUTATION OF NET CAPITAL**  
**YEAR ENDED DECEMBER 31, 2007**

1.	Total Ownership Equity	\$1,250,596
2.	Less: Non Allowable Assets	<div style="display: inline-block; text-align: right;">9,483</div> <div style="display: inline-block; text-align: right; border-top: 1px solid black;">1,241,113</div>
3.	Add: Subordinated Liabilities	<div style="display: inline-block; text-align: right;">-</div> <div style="display: inline-block; text-align: right; border-top: 1px solid black;">1,241,113</div>
4.	Less: Haircuts on Securities	<div style="display: inline-block; text-align: right;">26,214</div> <div style="display: inline-block; text-align: right; border-top: 1px solid black;"></div>
5.	Tentative Net Capital	1,214,899
7.	Net Capital	<div style="display: inline-block; text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$1,214,899</div>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.****YEAR ENDED DECEMBER 31, 2007****COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

1.	Minimum Net Capital required - (6 2/3% Aggregate Indebtedness)	\$ 27,693
2.	Minimum Dollar Net Capital Requirement computed in accordance with SEC rules	<u>250,000</u>
3.	Net Capital Requirement	<u>250,000</u>
4.	Net Capital	<u>1,214,899</u>
5.	Excess Net Capital	\$ <u><u>964,899</u></u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

6.	Total Liabilities	\$ 415,180
7.	Non Aggregate Indebtedness Liabilities	<u>-</u>
		\$ <u><u>415,180</u></u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**RECONCILIATION OF NET CAPITAL**  
**YEAR ENDED DECEMBER 31, 2007**

Audited Net Capital	<u>\$1,214,899</u>
Net Capital per Focus Part IIA	<u>\$1,210,848</u>
Difference	<u>\$ 4,051</u>
 Tax Accrual	 <u>\$ 4,051</u>

"See Accompanying Notes and Accountants' Report"

**MICHAEL DAMSKY CPA, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANT**

40-3 Burt Drive  
Deer Park, New York 11729  
(631) 595-2073

February 6, 2008

Aufhauser Securities Inc.  
New York, New York

Gentlemen:

I have examined the Financial Report of Aufhauser Securities Inc. as required by the Commodities Futures Trading Commission regulations as of December 31, 2007 and have issued a report thereon dated February 6, 2008. As part of my examination I reviewed and tested the system of internal accounting control and the procedures for safeguarding customer and firm assets for the year ended December 31, 2007 to the extent I considered necessary to evaluate the system as required by generally accepted accounting standards and by Regulation 1.16 of the Commodity Exchange Act.

Regulation 1.16 contemplates that the scope of the review and test should be sufficient to provide reasonable assurance that any material inadequacies existing at the date of my examination in the accounting system, the internal accounting controls, and the procedures for safeguarding customer and firm assets would be disclosed. Under these standards and that regulation, the purposes of such evaluation are to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to provide a basis for reporting material inadequacies in internal accounting control.

Further, my examination included reviews of the practices and procedures followed by the company in making periodic computations of the minimum financial requirements, pursuant to Rule 17a-5(g)(1) of the Securities and Exchange Commission.

The objective of internal accounting control is to provide reasonable but not absolute assurance as to safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management. However, for the purposes of this report, the cost-benefit relationship has been disregarded in determining material inadequacies to be reported.

Aufhauser Securities Inc.  
February 6, 2008  
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There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, error can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the year ended December 31, 2007 which was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system which may have existed during the period under review, disclosed no material inadequacies.

Very truly yours,

*Michael Damsky, CPA*

**MICHAEL DAMSKY CPA, P.C.**  
Certified Public Accountant  
Deer Park, New York  
February 6, 2008

**END**